

**6 June 2013**

**Regulatory Policy Committee's remit extended to check for impact on small business in government proposals**

The Regulatory Policy Committee (RPC) has been asked by Ministers to provide an independent opinion on whether regulatory proposals meet the new Small and Micro Business Assessment (SMBA), which requires robust evidence that all possible steps have been taken to mitigate any disproportionate impact on small and micro businesses.

The RPC will provide their assessment of departmental SMBAs before the proposals are sent for Cabinet agreement. From the 1 July, if the RPC is not satisfied with the quality of the SMBA the impact assessment for the proposal will receive a 'not fit for purpose' rating. Ministers expect to only be asked to clear proposals with a 'fit for purpose' impact assessment.

This builds on the RPC's existing role of providing independent scrutiny of, and challenge on, the evidence and analysis presented in departmental impact assessments for regulatory proposals.

Michael Gibbons, RPC Chair, regarding the introduction of the SMBA:

"Everyone wants policy objectives to be met without introducing inappropriate or unnecessary burdens. I am delighted that the Government has recognised the contribution the RPC can make in this area. Our independent appraisal helps inform the Government's decisions, drawing attention to any issues we find. Our scrutiny leads to better regulation through more robust analysis. Through including the SMBA in our scrutiny of proposals, we will now specifically check that proposals explore steps to mitigate the cost and impact of regulation on the small businesses which are so vital to our economy.

"The SMBA recognises the disproportionate impact regulation can have on small and micro firms, and explicitly requires Government Departments to explore mitigating these impacts. Our expanded remit builds on our strong track record of providing high-quality impartial advice and recognises the impact that the RPC's expertise can bring in this area. This means we have another lever to raise standards in analysis, building on the clear improvements we have already reported."

Business Minister, Michael Fallon, said:

“This change applies now and I have invited the Regulatory Policy Committee to provide independent challenge to the evidence provided by departments as part of their “fit for purpose” rating system of impact assessments.”

John Allan, National Chairman, Federation of Small Businesses, said:

“The burden of regulation often falls heaviest on the smallest of firms. This is why the FSB has called for the RPC to have sharper teeth to defend small and micro firms against poorly framed regulation. The small and micro business assessment should help to make future regulation more manageable and proportionate for the smallest firms, and is to be welcomed. This should mean that business owners will be able to devote time to growing their business and creating jobs rather than form filling.”

Alexander Ehmann, Head of Regulatory Policy at the Institute of Directors, said:

“The IoD has argued for a much tougher system of challenge when government is applying regulations to small and micro businesses. We are pleased to see this turned into reality with the introduction of the SMBA. Businesses across the country should welcome this new system, which gives the Regulatory Policy Committee much-needed powers to throw out rules which are unmanageable for the UK’s smallest businesses.”

### Notes to editors

1. The RPC was set up in 2009 to provide, for the first time in the UK, real-time independent scrutiny of proposed regulatory measures put forward by Government. In 2012 the RPC became an independent advisory Non-Departmental Public Body.
2. The RPC does not comment on the Government’s policy objectives. It comments on the analysis and evidence supporting new regulations.
3. The RPC is a group of independent experts, including businessmen, academics, trade union and consumer representatives. The Committee is supported by a secretariat of officials with a mixture of analytical, policymaking and economic expertise. Further information on the Committee can be found on the RPC website:  
<http://regulatorypolicycommittee.independent.gov.uk/>
4. Departments submit impact assessments (IAs) accompanying regulatory proposals to the RPC, and a RPC Opinion must be given before Ministers on the Reducing Regulation Committee, the Cabinet sub-Committee set up to vet all new regulatory proposals, will consider the proposal. Under the RPC’s

traffic light system, if it is 'Fit for Purpose,' it is classified as either 'Amber' or 'Green'. 'Amber' is used to denote an IA with areas of concern that should be corrected but which is still 'Fit for Purpose'. If an IA is classified 'Red' it is 'Not Fit for Purpose' – the RPC has major concerns over the quality of evidence and analysis. The traffic light system is explained in greater detail, alongside departmental performance for January – August 2012, in the Committee's November 2012 report:

<http://regulatorypolicycommittee.independent.gov.uk/wp-content/uploads/2012/12/RPC-Report-November-2012-Final.pdf>

5. Each IA is tested against standards for Government appraisal set out in the Better Regulation Executive's Better Regulation Framework Manual and guidance for impact assessments along with HM Treasury's Green Book.
6. The RPC has also been tasked with ensuring that the claimed costs and benefits of regulatory proposals are more than just 'claims', and that the costs and benefits to business have been identified and are a realistic and credible estimate of their potential impacts.